'Go Slow' Approach Rules Quartz Heater Market

Nationwide DSN Report

Discounters and catalogers are gingerly getting into the quartz heater business, with the "go slow" approach reflecting a generally weak heater market, the high price of quartz units and the unproven track record for this merchandise outside of the Northeast.

The one positive note for quartz heaters is a weakening of prices on the manufacturer level, resulting in discounters being offered goods at continuing lower prices.

A Heck's merchandiser said he hadn't yet placed any orders "because there isn't any bottom price." He cited Presto as the name brand manufacturer that has become sharply priced because of the downward pressure and noted that $45 to $50 could end up being Presto's retail tag.

Two different factors were pinpointed as the reasons for the price slide: The large number of manufacturers in the business—an increase from one last year to two dozen this year—has resulted in price declines as each producer tries to capture a share of the market, and a mild winter last year resulted in a large carryover of regular forced air heaters so that discounters and other retailers ordered fewer goods overall and were very conservative in purchases of quartz units.

Unit purchases of forced air heaters are projected to be 10% less than orders placed last year due to the carryover, a discounter said.

The downward move on quartz prices has resulted in discounters in the Northeast playing up sharp prices in the first ads that have broken. Bradlees, for example, tagged a quartz heater at $40 in the first ad featuring this item. Caldor was only $6 higher in its promotional effort.

One discounter said quartz heaters are a Northeast regional item and it would take about two years for the item to catch on nationally.

One manufacturer, Boekamp, *made* the domestic quartz heater market through its sales efforts in the Northeast, the only area with consistently strong demand. The units, which carried tags of more than $100, sold there as one solution to the individual heating needs of consumers who have to buy the highest priced electricity of any area in the country.

The demand for quartz heaters in the Northeast last year spurred other manufacturers looking for new products to produce units and this, in turn, sparked retailer interest.

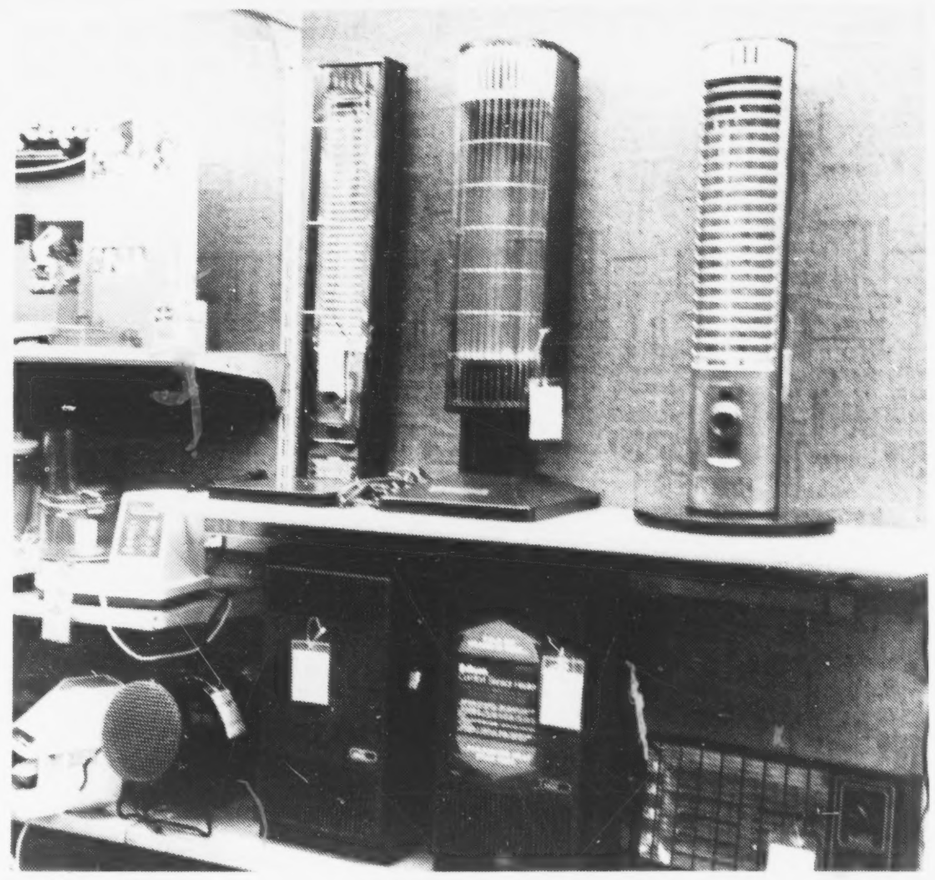
A Pamida merchandiser planned to test quartz heaters because of the publicity surrounding the unit, but was concerned about the high price turning off consumers.

Target was more optimistic about the unit. A merchandiser said the discounter would carry two models and would promote them because the market seems to be wide open.

One quartz heater was being added to the heater mix at both Jamesway and Fisher's Big Wheel. Merchandisers at both chains explained that they would buy goods from a distributor so that if the item doesn't sell the distributor would take back the merchandise.

A G.I. Joe merchandiser add-

(Continued on page 30)



Caldor, Yonkers, N.Y., plays up quartz heaters by displaying units on the top shelf, with forced air models below. The heaters are merchandised as the discounter's small electrics mix. *(DSN photo)*

Macks Opens Second Maxway's Unit in Virginia

BEDFORD, Va.—Macks, the variety store parent chain headquartered in Sanford, N.C., opened its second Maxway discount unit here last month.

Sales projections call for the unit to generate $4 million—$100 per square foot—during the first year of operation. These are the same first-year figures chain executives project for each the six discount stores they plan to open by the end of 1981.

In the case of the Bedford store, the figures may be a bit conservative for two reasons: First, the unit—a former W. T. Grant—is bigger, and second, it is located in a larger population center than is planned for future Maxways, said R. C. Dodson, Macks' director of advertising.

"The new store is basically the same as the first one, and we will continue to make all our stores look alike," he explained.

One slight departure from the prototype unit, built this spring in Sandersville, Ga., is a slightly larger sales floor: 41,000 sq. ft. in Bedford vs. 40,000 sq. ft. in Sandersville.

The extra space in the new store accommodates expanded soft lines—especially domestics—and H&BA categories.

With the Bedford store's size and location in mind, Dodson explained: "We expect sales to be greater at the Bedford store, but we aren't making any other projections. We think perhaps the Bedford store has more potential than the others."

He called the Grant takeover a unique opportunity for the chain, which will locate its discount stores in rural areas where each can be "the only store in town" of its kind.

"We think the Grant store was one of the stores K mart overlooked in their W. T. Grant buying sweep," Dodson said, adding that the Bedford site is roughly equidistant between two Virginia population centers, Lynchburg and Roanoke.

Five other sites, in Wadesboro, Warrenton and Hillsborough, N.C., and Chase City and Pearisburg, Va., have been signed already, and each will get a new store built from the ground up to prototype specifications.

A third discount store, in Wytheville, Va., was occupied Sept. 15 in preparation for a grand opening later this month.

(Continued on page 30)

Gears for Discount Fight

Ben Franklin Shifts Marketing Focus

CHICAGO—Ben Franklin, City's Products' franchise variety chain, has developed a new marketing package aimed at slicing out a special merchandising niche that will better position their stores against hard-hitting discount competition.

A consumer research study conducted in 1978 forced senior management to take a good look at the future of the company, at which time they decided, "we could not compete against the discounters as long as we had a little bit of everything in our stores."

Management targeted the "home accent" departments, focusing on upgrading and broadening the selection in wicker, crafts and artificial flowers. Under the home accent treatment, these departments are corralled into one store area.

A chain spokesman estimated that by year-end about 90% of the chain's 1,920 franchisees will have some variation of the home accent package.

Field coordinators are now working with store managers to evaluate each market and to judge the proper level of home accent mix. The program is optional.

Officials are hoping for an average 20% increase in sales per square foot in the first year of the program, banking these projections on their already strong customer recognition in home decor, and on the lack of national discount competition in this particular merchandise area.

To support this move toward market dominance in the home decor area, Ben Franklin buyers have largely expanded its warehouse product listing, as well as its drop-ship supplier listing from which stores order.

Altogether, 400 sku's were added to the warehouse listing, with the greatest increases made in five product lines: Over 100 sku's were added to the wicker line; 140 to soft crafts and yarns; 75 to hard crafts, and 90 to decorative frames.

As each line was expanded, higher price points and better quality items were introduced into the mix. This specialty approach is evident in the merchandise mix of one of the chain's first "home accent" store

(Continued on page 34)

Downgraded Image Draws Mexican Shoppers

JUAREZ, Mexico—When Futurama (SAISA) opened its doors in this border city abutting El Paso, Mexican shoppers were put off by the neat, upgraded appearance.

Customers were suspicious that the store's prices were inflated to reflect the physical image of the stores, according to Jorge Mares, general merchandise manager.

Consequently, the chain made some physical adjustments, such as replacing professionally made signs with the dozens of ceiling-hung, hand-lettered banners that now clutter the store, and deliberately taking gondolas out of their neat, straight runs.

As a result, business in the eight Futurama stores, ranging in size from 40,000 sq. ft. to 100,000 sq. ft. of selling space, rang up more than $60 million last year, Mares said. Approximately 6.5% of the sales translated into profit dollars, he indicated. The same eight units are expected to increase sales 35% for the current fiscal year ending in January.

Unlike its major competitor, FedMart, which has an El Paso unit, Futurama officials see their in-store supermarkets as adjuncts to their main line of business—mass merchandising. (Futurama also competes with K mart's El Paso, Tex., unit.)

Approximately 48% of Futurama's sales comes from the in-store supermarkets, which account for 33% of the total selling space in each unit. In supermarket sales, however, only 30% actually comes from

(Continued on page 26)

The general merchandise area has a wide racetrack aisle that can accommodate the shopping carts which are used predominantly in the chain's supermarket area.

In This Issue

HEATING UP. Hardware buyers remain conservative but, with winter in the wings, they are making their seasonal statement with energy-saving and home-improvement items. (P. 12.)

BUYING TIME. Converting to electronic purchase ordering doesn't mean a major systems overhaul, according to the latest installment of the DSN-Touche Ross Discounter Management Development Series. (P. 17.)

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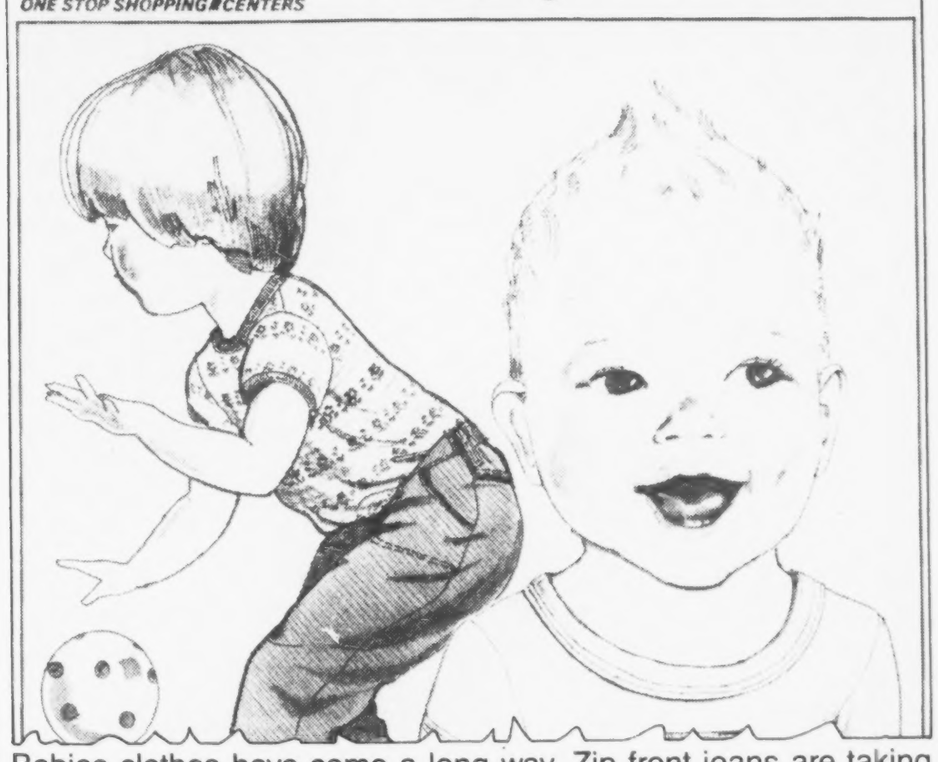
Vol. 19, No. 20 Oct. 6, 1980

Infant and Toddler Playclothes

Fred Meyer
ONE STOP SHOPPING CENTERS



Babies clothes have come a long way. Zip front jeans are taking space from pull-on pants, paving the way for more upgraded items as buyers examine the fashion potential of toddler and infant wear.

Toddler Wear Pursues Fashion Upgrade Trend

By Laura Mulcahy
Nationwide DSN Report

Like maternity and plus-size fashions, toddler wear is becoming more than a pull-on pants category for discount chains.

Spring 1981 may be the industry's turning point as buyers accustomed to stocking all-basics assortments are now shopping vendors for more fashionable items.

New will be brighter colors, more sophisticated fabrications and detailed stylings, as buyers move away from primary colors and conventional piece goods.

"Last year, jewel tones, fuschia, teal and jade hit the children's market. We're trying to pull that influence down to the toddler department," Marcy Zell, assistant buyer at Alexander's, the metropolitan New York chain, said. Upgradings that began last spring in the then predominantly basics toddler wear category have brought the fashion-to-basic item ratio up to 50%.

"A few years ago, no one heard of dressing a toddler in jeans. Now it's just a matter of the category catching up with the fashion movement," Zell said.

Catching up includes an industrywide effort to scale down older-age-group fashion trends. Coordinates and active-wear looks in better quality fabrics and new wovens, all in bright tones, offer toddler customers the same value and fashion appeal long available in children's, men's and women's categories.

Increases in the United States birthrate—slow but steady in the last several years—have buoyed buyers' innovativeness and spurred fashion commitments, along with sales and traffic, in their departments. The National Center for Health Statistics charts a 3%-and-rising increase for the first four months of this year, compared to the same period in 1979, when the birthrate for the

(Continued on page 34)

Chains Focus Shoplifting Security On Deterring, Rather Than Catching

By Bernard Cullen
Nationwide DSN Report

A wave of shoplifting, spurred in part by high inflation, is causing discounters to intensify their security operations and in the process to change the focus from catching shoplifters to merely deterring them.

In some cases security men are donning their badges for the first time to let customers know who they are. In many cases, loss-prevention personnel are training clerks and cashiers to spot the potential shoplifter and prevent the crime before it occurs.

In addition, many discounters are reporting big rises in the less costly problems of price-tag switching and fraudulent returns, and are beginning training programs to help clerks and cashiers combat these as well.

"The answer is to be preventive," explained a Woolco spokesman. "You don't want to catch someone and have to accuse."

Most discounters surveyed said the recent wave of shoplifting appears to have begun from eight to 10 months ago, with the problem worsening as the year progressed and the economy deteriorated.

Zayre, for example, reported 15,000 shoplifting incidents through August—an 18% increase over the identical period in 1979. For Nebraska-based Pamida, the increase has been 25% to 30%.

Ironically, the shoplifting boom seems to come after four years of industry gains in combating the problem.

According to a recent National Mass Retailing Institute study of 38 chains, stock shortage as a percentage of sales declined from 2.61 in the 1975-76 fiscal year to 2.09 in the 1979-80 year.

Although chains with sales ranging from $100 million to $260 million reported their stock shortage went from 2.49% to 2.79% of sales in the sampling.

One of the larger discount chains to begin a major program aimed at deterrence is Hills.

Starting last October two-hour training programs were begun that will be given to all employees three times per year.

The purpose of the programs, explained David Baldwin, Hills' director of loss prevention, is to explain the value of merchandise to cashiers so they will be more likely to spot items with switched price tags.

The program was begun after cashiers failed to question the unusually low prices that were appearing on an increasing number of items. In two instances, Baldwin said chain saws were sold for $7.97 and $9.87.

In addition, he noted Coleman coolers and bathroom hampers were becoming a favorite vehicle for shoplifters who filled them with high-ticket items and hoped that cashiers didn't check inside before ringing them up.

Apparently the program is working, with a rising number of misticketed items being discovered. Last month one such theft was averted when a newly trained cashier questioned the $7.28 price on an $89.98 electric sander.

Zayre has also begun a training program for its 22,000 em-

(Continued on page 4)

Zodys 3 Calif. Openings Bring Store Total to 41

LOS ANGELES—Zodys, the discount division of Hartfield-Zodys, will open three new stores this month—Stockton, Boyle Heights (Los Angeles) and Oxnard, Calif.—swelling its ranks to 41 units.

Future expansion plans call for the chain to add one more California unit in Upland and to open two stores in Phoenix, Ariz.—the chain's first venture into that market.

The chain also recently completed the remodeling and 20,000-sq.-ft. expansion of its Hollywood flagship.

New Moves

Arnold Suval, Zodys president, said the chain expects to make its first move out of California and into the Phoenix market with at least two stores, each 80,000 sq. ft., in the spring of 1981. A third Phoenix unit may be added before the end of next year.

Zodys, which reported sales of $305 million in the last completed fiscal year, is also expected to remodel five to six units in 1981, Suval said, noting that the chain's expansive remodeling program will be completed within the next 2 to 2½ years.

Hartfield-Zodys' officials project sales to reach about $440 million for the current fiscal year, with the Zodys division contributing an estimated $340 million.

Sales Estimated

Approximately 75% of the total corporate general merchandise sales are generated by the Zodys division. Within Zodys, 75.6%, or sales of $230.3 million during the last fiscal year, came from company-operated departments. Suval pointed out that this didn't include sales of the Karl's Shoe departments, which are owned by Hartfield-Zodys, and operated in the Zodys units.

Presently, Hartfield-Zodys has 450,000 sq. ft. of warehouse and distribution facilities, of which 300,000 is devoted to the Zodys units. However, "within the next couple of years," Ed Solomon, Hartfield-Zodys chairman and ceo, said, "the company will need more distribution facilities."

Preliminary estimates of earnings for the second quarter, which ended Aug. 1, were not "relatively good," Solomon said, but the numbers in the quarter are usually "relatively low." He pointed out that 85% of the company's earnings are realized in the last six months of the fiscal year.

Wal-Mart Leads Discounters' Aug. Sales List

Chain	1979	1980	Dollar gain	Percentage gain
Wal-Mart	$ 99,600,000	$ 139,000,000	$39,400,000	40.0%
T.G. & Y.	121,394,270	138,204,950	16,810,680	13.9
Zayre	112,798,000	124,403,000	11,605,000	10.3
K mart	939,791,000	1,029,894,000	90,103,000	9.6
Murphy's Mart	52,469,000	56,248,000	3,779,000	7.2
FedMart	74,450,000	78,873,000	4,423,000	5.9
Federated*	48,500,000	50,100,000	1,600,000	3.4
Venture	42,300,000	43,500,000	1,200,000	2.8
Vornado	61,639,000	49,856,000	(11,783,000)	(19.1)
J. C. Penney	892,000,000	930,000,000	38,000,000	4.4
Ward	404,481,000	403,710,000	(771,000)	(0.2)
Sears	1,471,308,222	1,455,802,003	(15,506,219)	(1.1)

*Figures are consolidated for Federated's discount stores; department store and supermarket sales are not included.

August sales figures—coming at a time when Government economists were speculating that the end of the recession might be in sight—showed that many discounters continued to gain strength in a historically slow month. But, for the majority of industry leaders, gains hovered just above a no-growth level—still better, though, than results posted by the "Big Three," Sears, Wards and Penney.

Wal-Mart continued to show the better-than-30% increase which has become something of a norm for the Arkansas-based chain, and both T.G. & Y. and Zayre reported sales gains above the inflation mark. K mart, however, the industry leader in sales volume and units, posted only a 9.6% advance.

For Vornado, store closings only partially explain the 19.1% sales loss that was suffered suffered by the financially troubled chain during the 30-day period.

FTC Decision Could Untie Discounters From Warranty Bind

NEW YORK—The Federal Trade Commission is considering an NMRI request that manufacturers be required to print their warranties on product boxes—a move that would free discounters from having to maintain a warranty file in each store.

A favorable decision by the FTC would take more than a year to implement, but discounters said shifting the responsibility to manufacturers would save them thousands of dollars each year in wasted clerical time.

The request to change the procedure by which the public is given access to warranty information before the purchase of a product was made in late July by the NMRI, acting with the support of 17 major discounters who supplied statements from store managers attesting to the inadequacy of the present system.

Discounters have been required to keep warranty information, on all the products they carry, on display in each store since 1977 as a result of the passage of the Magnuson-Moss Warranty Act in 1975.

Kevin Shein, NMRI governmental affairs director, said the act was passed by Congress in an attempt to increase consumer awareness, but that it has failed to do so.

Shein and spokesmen for chains such as Zayre, Cook United and others said relatively few customers have asked to see the file before purchasing a product.

A spokesman for Cook United, for example, said the chain maintains a collection of guarantees and warranties in a binder in each of its 82 stores. A survey of managers indicated, however, that in 95% of the stores no one has ever looked at the binder.

For Zayre, which has more than 12,000 hard line products, maintaining the binder has also been difficult. A spokesman for the chain said binders must be maintained in each of the chain's 256 stores.

In addition, discounters said many of the binders in stores throughout the nation may be inaccurate because manufacturers seldom send them notification of changes in various products' warranties.

Rachael Miller, an FTC staff attorney, declined to comment on the possibility that the rules will be changed.

She said it is possible the NMRI petition will be dismissed, but that the FTC could also devise a plan to share the burden between retailers and manufacturers more fairly.

HARDWARE

Figures for these hardware PMA tables cover the 30-day period from July 15 to Aug. 15. They were supplied by Stem Distributing, a division of Cook United, Maple Heights, Ohio, and cover 600 stores, including 480 discounter stores in 35 states. Average retail prices listed by the distributor reflect typical price points for discount clients.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	ELECTRICAL			
1	ST240R/S Flo St/Lit WH 2-40W-48"	700	19.60	13,720
2	WRW 240 FLO Wrap/Arn Fix 2-40 W-48"	300	33.11	9,933
3	DR 600C Lutron U L Rotary Dimmer	1,100	5.02	5,522
4	SL 1K Flor Shop Lite 40W-48"	175	18.81	3,291
5	DR 600 PC Lutr Ul Dimr Push on/off	447	6.13	2,740
6	P220 Manco ¾ x 66 Vinyl Elec Tape	1,608	1.44	2,315
7	206 6' Brown 18/2 Cord ext indoor	2,780	0.79	2,196
8	436-6' 14/3 Cord Air-Conditioner	795	2.71	2,154
9	3101 100' 16/2 RD Cord-ext Outdoor	140	14.84	2,077
10	4465/681 25' Trbl Lite Mtl Guard	216	9.45	2,041
11	4170/151-6-8½ Clamp on light	348	5.76	2,004
12	270-75' 16/3 RD Cord-Ext Outdoor	129	15.19	1,959
13	U100 Aliance Tena-Rotor Automatic	30	60.01	1,800
14	03791 ABCO 7C7 Nite Lite Clr 7W	2,220	0.79	1,753
15	DR 603PC Lut 3 Way DMR Push on/off	173	9.66	1,671
	BLACK & DECKER			
1	⅜ Drill v/s Rev-lock	437	27.94	12,210
2	71-055 Drill Guide	1,137	10.01	11,381
3	7127 ⅜ Var Speed Rev Drill	389	19.76	7,687
4	7404 Sander DBL/ins	362	18.78	6,798
5	7308 7¼ Circ Saw	137	32.05	3,391
6	7530 Jig Saw 2 speed	234	18.51	4,331
7	79-003 Workmate Single Htg	96	42.52	4,082
8	7204 ½ Drill DBL/Ins	148	27.57	4,080
9	7300 5½ Circ Saw	155	24.92	3,863
10	7504 Jig Saw DBL/Ins	323	11.72	3,786
11	7390 7¼ Deluxe Circ Saw	81	45.19	3,660
12	9330 Dust Buster	105	28.53	2,996
13	71-013 13 Pc H/S Drill Set	304	8.71	2,648
14	7580 Jig Saw Var/Speed	114	23.20	2,645

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	POWER TOOLS & ACCESSORIES			
1	Partner 14" Gas Chain Saw	51	225.79	11,515
2	Wen 10" Elec Chain Saw	188	60.43	11,361
3	Wen 7" Sander/Polisher	169	59.87	10,118
4	Partner 16" Gas Chain Saw	30	238.33	7,150
5	McGraw-Ed ½ Drill Press	57	109.78	6,257
6	Partner 12" Gas Chain Saw	37	145.50	5,384
7	McGraw-Ed ⅜ Drill Press	63	85.38	5,379
8	Wen 3" Belt Sander DBL/Ins	77	61.55	4,739
9	Weller 100/140 W Solder Gun Kit	179	24.22	4,335
10	Skil 7¼ 1¾ HP Circ Saw	53	73.61	3,901
11	Skil 6½" 1½ HP Circ Saw	52	67.48	3,509
12	Skil ⅜ Var/Rev Xtra Tool	43	79.77	3,430
13	Skil ⅜ Cordless Drill	99	32.00	3,168
14	USM Elec Glue Gun	305	9.47	2,888
	HAND TOOLS & HARDWARE			
1	TX9 Bernz Fuel Cyl	7,392	2.85	21,067
2	UL100 Bernz Propane Blow Torch	1,350	10.13	13,676
3	T50 Arrow Staple Gun Chrome	567	17.17	9,735
4	JT25 Bernz Torch Kit Plst Box	324	21.66	7,018
5	PL316 Stanley 16' Powerlock Tape	671	9.84	6,603
6	PL425 Stanley Tape 25' Powerlock	519	12.59	6,534
7	ET50 Arrow Elec Staple Gun	228	28.22	6,434
8	Ajax Home Rivet Tool	647	8.82	5,707
9	PL320 Stanley 20' Powerlock Tape	502	10.37	5,206
10	99 Stanley Utility Knife	1,896	2.67	5,062
11	Spitfire Brazing Torch	330	10.53	3,475
12	Stan Hammer 20-oz Rip Stl/Hdl	259	13.22	3,424
13	JT21 Arrow Staple Gun	358	8.80	3,150

(Continued on page 15)

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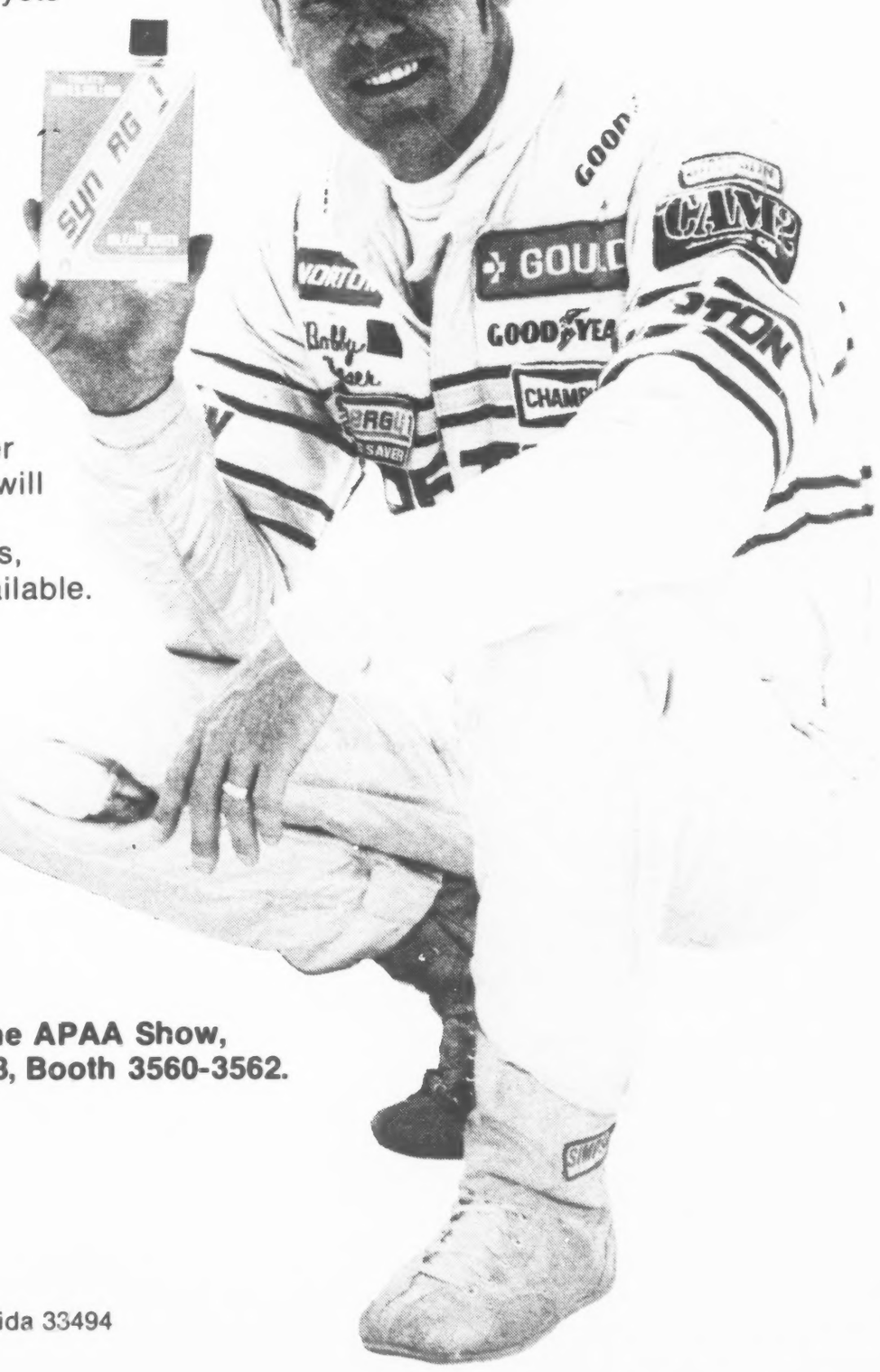

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Discount Store News

PMA®

PRODUCT MOVEMENT AUDIT

Fix-up Products Head Fall's List Of Hot Sellers

By Don Petti
President
Stem Distributing

Consumer demand for fall fix-up products made its annual mark on the most recent (30-day period) product movement audit. While discounters responded with seasonally adjusted mixes and some stock building, the majority still chose to maintain a conservative inventory position.

In the home improvement category, a sign of the coming cold weather was the appearance of portable heaters—which ranked No. 1—and plastic interior storm windows on the list.

Another sought after seasonal item are gutter guards. More than 2,000 units sold during the 30-day period.

In the energy-saving category, nearly 1,400 interior storm windows were sold during the 30-day period to discounters who priced plastic panes in the $12 to $20-plus range (for a 38 in. x 64 in. sheet).

Twenty-six gallon garbage bags also continued to be extremely strong hardware department sellers (and a favorite discount store promotion) with fall cleanups triggering a 24% increase in unit movement over spring sales.

Other seasonal promotions, pushed PMA regulars to the top of the list. More than 8,000 units of Master's 1500D padlock —with a suggested retail of $3.19 that discounters promote for back to school—sold during the period making that item No. 1 in the hardware PMA.

In the Lawn & Garden listing, promotional lawn rakes ($2.45 suggested retail) accounted for the bulk of the sales and the unit movement, and in plumbing All American's white wood toilet seat headed the list with more than a thousand units sold during the 30-day period.

In power tools, buyers met consumer demand with step-up grades, particularly in seasonal favorites.

Other popular power tools

(Continued on page 15)

Caldor's Earnings Up 14% For Half

NORWALK, Conn.—Caldor reported earnings for the first half of 1980 at $5,803,191—a rise of 13.7% from the first half of 1979.

For the second quarter of the year the company reported a 14.8% increase in earnings totaling $4,351,161, up from the $3,790,170 reported for the second quarter of last year.

Discount Store News

PMA®
PRODUCT MOVEMENT AUDIT

Fix-up Products

(Continued from page 12)

were McGraw Edison's ½-in. and ⅜-in. drill press and two Wen sander/polisher's—a 7-in. and 3-in. model.

In paint accessories, WD 40 continued to hold the top spot but promotional paint and brush sets and drop cloths were replaced by caulks and sealants.

Thompson's 1-gal. water seal ranked second with 904 gal. moved during the period and Macco's and Penco's acrylic latex caulk—as well as GE's 3-oz. clear seal—moved into the top listings.

A newcomer to the paint PMA was Formby's Introduction to Refinishing which was a featured item in some discounter fall tabs. Otherwise, positions remained fairly consistent with Rustoleum's 13-oz. gloss white and black holding onto their top positions.

Doorlocks regained some of the strength lost in the last PMA listing. On almost an item for item basis, while other non-lock items listed in the hardware PMA also showed increased unit movement.

In plumbing, sump pumps held three of the 10 places, with discounters favoring cast iron to plastic (with little difference in the price spread).

In plumbing, sump pumps held three of the top 10 places. Other category best sellers were U-Plumb's toilet tank repair kit with 1,068 units moving; U-Plumb's P-trap, 504 units, and J-Bend, 588 units—all continued evidence that homeowners are doing repair projects themselves.

HARDWARE

(Continued from page 12)

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
14	Mays/EV48 GR NK 48" Level	286	10.67	3,052
15	84460 Park Bx-1-Tray 19" Red	234	12.99	3,040

HARDWARE & HOME IMPROVEMENT

1	730 Perfection Portable Heater	1,296	43.75	56,700
2	G2480 Garbage Bag HD 26 gal/20	14,088	2.42	34,093
3	Bkit Plask Insider Storm 38x64	640	23.87	15,277
4	2'x4' x ⅛ Pegboard	8,000	1.51	12,080
5	6' Wood Stepladder Special	436	25.69	11,201
6	5' Wood Stepladder Special	318	22.26	7,079
7	6' Aluminum Stepladder—Household	159	38.73	6,158
8	CKit Plask Insider Storm 24x36	410	12.76	5,232
9	GPC DieMesh Gutter Guard 6"x25'	2,124	2.45	5,204
10	40061-36-9 Peer Chain Twlp 2/0	73	54.36	3,968
11	Clear Vinyl Runner 27x125	32	115.87	3,708
12	40302-36-1 Peer Chain Prf ¼	25	136.38	3,410
13	40301-36-9 Peer Chain Pr 3/16	30	108.03	3,241
14	36'/736 Screen Wire Alum 7'	748	4.29	3,209
15	32x42 Plaskolite 100 Clear Plas	230	12.11	2,785

PAINT ACCESSORIES

1	WD 40 Rust Prevent 9 oz	7,908	2.15	17,002
2	Thompson Water Seal 1 Gal	904	12.27	11,092
3	E2 4 pc Brush set	3,492	1.94	6,774
4	Viking Caulking Gun 101B	3,156	1.98	6,249
5	Strypee Paste Pt-Remover 1 Gal	548	10.52	5,765
6	E2 4" Promo Brush	1,824	3.15	5,746
7	White Macco Acrylic Lty Caulk	2,448	1.98	4,847
8	WD 40 Multi Use Lube 12 oz	1,740	2.61	4,541
9	Masking Tape ¾x60	6,480	0.70	4,536
10	Masking Tape 1"	2,844	1.44	4,095
11	Strypee Paste Pt-Remover 1 qt	1,158	3.50	4,053
12	Masking Tape 1½	1,752	2.14	3,749
13	Penco Acrylic Latex Caulk	2,520	1.44	3,629
14	Shur-Caulk Penco White Compound	5,784	0.61	3,528
15	GE Clear Seal 302	1,330	2.61	3,471

PAINT

1	Formby Intro to Refinish	504	11.96	6,028
2	13 oz Rust Gloss White	1,092	3.15	3,440
3	13 oz Rust Gloss Black	1,092	3.15	3,440
4	Qt Rust Gloss White	612	5.21	3,189
5	13 oz Borden Krylon Gloss Bl	1,212	2.54	3,078
6	Formby 16 oz Furniture Refinish	504	5.13	2,586
7	88 Defthane Clr Gloss	140	18.28	2,559
8	Qt Rust Gloss Black	456	5.21	2,376
9	13 oz Rust Matte Black	726	3.15	2,287
10	Formby 32 oz Furniture Refinish	234	9.41	2,202
11	62 Deft Clear Semi Gloss	354	5.86	2,074
12	13 oz Rust Red Primer	654	3.15	2,060
13	92 Defthane Clr Satin Gal	112	18.28	2,047
14	Qt Rust Red Primer	366	5.21	1,907
15	Pt Rust Gloss White	588	3.22	1,893

LAWN & GARDEN

1	Keller Leaf/Lawn Rakes	7,448	2.45	18,248
2	A/Biltrite 5/8x50 Rein Vinyl	852	6.51	5,546
3	Tempr Springback Leaf Rake	444	6.51	2,890
4	Melnor Gun Hose Nozzle	1,060	2.64	2,798
5	Marvin Galv Screen 18x22	684	3.65	2,497
6	Allen Clothes Dryer-Outside	72	30.16	2,172
7	Melnor 3-Arm Revolving Sprinkler	288	7.31	2,105
8	Marvin Galv-Screen 24x24	468	4.24	1,984
9	Vil/Blk Tree Pruner W/Saw	120	15.49	1,858
10	Marvin Galv Screen 15x20	600	3.04	1,824

HARDWARE

1	1500D Master Padlock Comb	8,294	3.24	26,873
2	LW1 Yale Entrance Lockset BX	1,350	13.00	17,550
3	Stormking Door Closer	1,450	5.39	7,815
4	SK600 Security Knob Latch	1,040	6.27	6,521
5	SK125 Sec Adjust Hyd Door Clos	750	7.64	5,730
6	SK15 Sec Storm Dr Latch w/o Lo	900	6.27	5,643
7	SK85 Sec Adjust Door Clos	960	5.15	4,944
8	V80 Yale Tumbler Spring Catch	421	9.14	3,848
9	SK355 Sec Adjust Door Clos	500	7.65	3,825
10	Taylor Night Latch A800 CG	599	6.11	3,660
11	1-1 Galv S/City Rural mail box	637	5.48	3,491
12	3D Master Padlock Tumbler	695	4.94	3,433
13	Yale DBL Deadbolt V3221A	117	28.28	3,309
14	16D Common Nails 1 lb Box	3,400	0.93	3,162
15	LW32 Yale Entry Lock Keyed	120	26.25	3,150

PLUMBING

1	88TM White Al/Amer Wood Toilet Seat	1,023	8.05	8,235
2	560 U-Plm Toil Tank Repair Kit	1,068	6.30	6,728
3	SC3000 Flo-Cast Iron Pump Sub	49	110.81	5,430
4	760 U-Plm P-Trap 1¼ Bathroom	504	7.02	3,538
5	20019 Oatey 50/50 Solder 1 lb	305	10.47	3,193
6	PB3600 Flo Bronze Pump Pedistal	27	115.06	3,107
7	767 U-Plm J-Bend 1½ Chrome	588	5.27	3,098
8	SM3000 Flo-Plast Pump Submbl	29	102.34	2,968
9	DMP 21 HK Flotec Drill Pump Kit	400	7.07	2,828
10	FRD 60 Manco Fire Guard Duct Tape	624	4.48	2,796
11	B100 Manco Duct Tape 2'x10 Yd	1,920	1.33	2,554
12	761 U-Plm P-Trap 1½ Kitchen	294	8.35	2,455
13	PM 3600 Flo-Plast Pump Pedistal	33	72.49	2,392
14	766 U-Plm J-Bend 1¼ Chrome	486	4.80	2,333
15	564 U-Plm Toilet Ballcock Complete	480	4.83	2,318

Dewar to Address Annual NRMA Conference

LOS ANGELES—Robert Dewar, chairman of K mart's executive and finance committees, will make the keynote address at the 22nd annual data processing and retail systems conference held by the National Retail Merchants Association Oct. 19-22 at the Marriott Hotel in Los Angeles.

The 60 different sessions include case studies involving a number of discounters.

Zayre's efforts to improve relations with uses of its data processing system will be the topic of a session Oct. 22 from 1:45 p.m. to 3 p.m. Zayre executives participating are Mervyn Weich, senior vice president of systems and technical services: William Harmon, manager of business systems interface; Arthur Loewy, senior vp, finance, and Stepher Wener, vice president merchandising.

Woolworth's use of computer graphics and communications technology to distribute store forms and other communications will be detailed by a company executive on Oct. 20 from 3:45 p.m. to 5 p.m.

Procession of fashion apparel through a distribution center will be discussed by Lee Paulson, vp management information systems for Lucky Stores, parent of Gemco/Memco, on Oct. 21 from 10:45 a.m. to noon.

Delegates to the conference can register through NRMA's information systems division at 100 West 31st St., New York, N.Y. 10001. Fees for NRMA members range from $135 for one day to $265 for the full conference.

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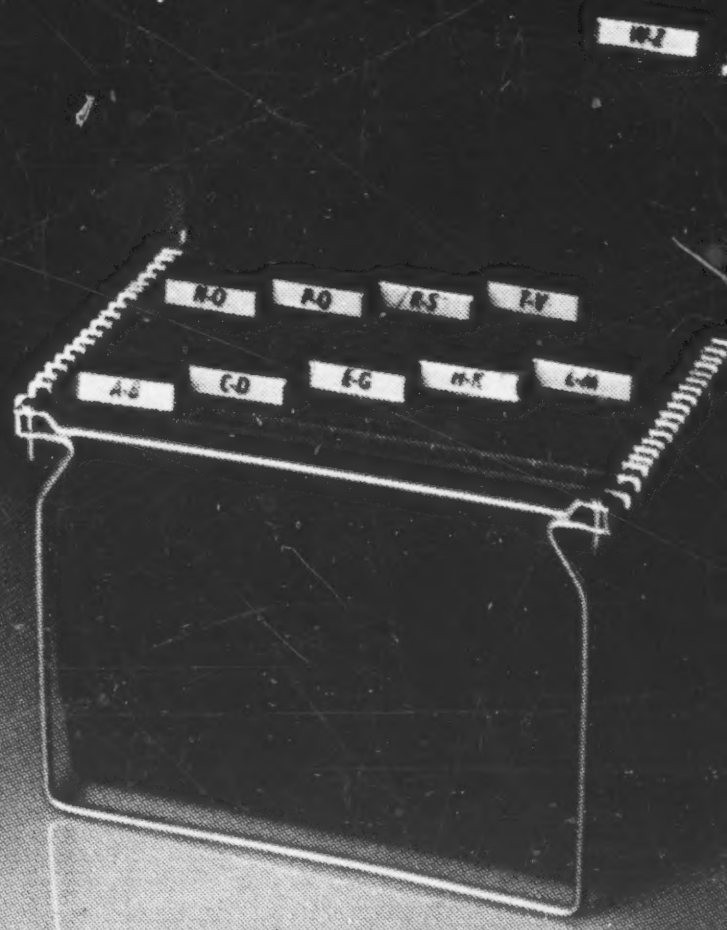

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Discount Store News

PMA®

PRODUCT MOVEMENT AUDIT

Fishing Gear, Ammunition Lead List

By DON PETTI
President
Stem Distributors

F shing rods and reels made a particularly strong showing in the most recent Stem Distributing product movement audit, with ammunition not far behind indicating that discounters stocked up in anticipation of the fall hunting season.

Encouragingly, the PMA shows preliminary signs of a general upswing in business as discounters once again opened up the pipeline and began to rebuild their depleted inventories.

True, retail-dollar movement and unit movement totals were off substantially from what they were last year at this time. For example, only one listed item produced more than $10,000 in retail sales, while last year there were four.

Coleman's gallon can of Champion camping fuel sold 5,267 units, generating retail sales estimated at $20,018.

Nevertheless, there was a sales burst during the closing end of the period that included heavy movement of camping equipment, basketballs and items like the Hoppe shotgun cleaning kit, in addition to fishing and hunting equipment.

The rod and reel making the biggest gain was the Zebco 33 reel with the 3366 rod, with a total of 162 units moved. A year ago only 90 of the units were sold into discount stores.

Smaller gains were reported with both the top of the line—Zebco's 808 reel with the 8965 rod—and with the less expensive Zebco rods and reels.

The reluctance of discounters to maintain normal inventory levels and to advertise as much as they had last year began to make itself felt in April and was a major factor in the slowdown.

One previously popular product that was hard hit by the advertising decline was Remington's .22 cal. Thunderbolt ammunition.

Last year, during a similar period, the item moved 6,300 units. This year, though, only 2,200 units were sold.

Substantial price increases in Coleman equipment over the last two years—and in the last year in particular—also hurt sales.

A Coleman two-burner stove, for example, carrying an average retail price of $24.40, reflected a 29% increase over last year's price, which translated into a drop in unit sales.

Propane fuel came in second on the list of Coleman best-sellers, with a total of 1,740 units moved.

Fire extinguishers also performed reasonably well. The best retail dollar producer was a Kidde Fireaway extinguisher, carrying an average price ticket of $22, although it was Kidde's low-end $8.64 model that produced the greatest unit volume.

SPORTING GOODS

Figures for these sporting goods PMA tables cover the 30-day period from July 15 to Aug. 15. They were supplied by Stem Distributing, a division of Cook United, Maple Heights, Ohio, and cover 600 stores, including 480 discounter stores in 35 states. Average retail prices listed by the distributor reflect typical price points for discount clients.

AMMUNITION

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Remington 22 Cal 100 Pk LR Ammo	2,700	3.28	8,856.00
2	Remington Dove Load S/G Shell	1,100	5.36	5,896.00
3	Remington 22 LR Ammo Thunderbolt	2,200	1.46	3,212.00
4	Remington Shot Shell (DQ20-8)	480	4.91	2,356.80
5	Yeldm Remington Clay Target Yellowdome	377	6.00	2,262.00
6	Remington Shot Shell (RS12-6)	420	5.36	2,251.20
7	Rem Stud./Velocity 22 LR	1,300	1.65	2,145.00
8	6 Rem 3 in Express Shell	340	6.28	2,135.20
9	Rem H/S 22 LR 40 GRS	1,200	1.65	1,980.00
10	Rem 2¾ Express Shell	260	7.61	1,978.60
11	Rem H/S 22 Short	1,300	1.46	1,898.00
12	Rem H/S 22 Long 29 GRS	1,100	1.54	1,694.00
13	½ Rem 3 in Exp Shell	260	6.28	1,632.80
14	DQ16-8 Rem Shot Shell	300	5.33	1,599.00
15	Rem LR Shot Rim Fire	450	3.36	1,512.00
16	Rem 0.25 Auto 6.35 MM Pistol	165	9.44	1,557.60
17	DP 12-6 Rem Shot Shell	220	6.70	1,474.00
18	Rem 0.38 Special 158 GR	143	10.20	1,458.60
19	45 AP Rem 0.45 Auto	96	14.78	1,418.88
20	MAG 5 Rem Shot Shell 2¾" 20	140	9.90	1,386.00

FISHING

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Zebco Combo 33 Reel with 3366 Rod	162	28.74	4,655.88
2	Zebco Combo 404 Reel with 4040 Rod	292	13.74	4,012.08
3	Zebco Combo 202 Reel with 2023 Rod	388	8.70	3,375.60
4	Zebco Combo 600 Reel with 4060 Rod	227	14.71	3,339.17
5	Zebco Combo US76/4077 Rod/Lure	240	13.45	3,228.00
6	Zebco Combo 808 Reel with 8965 Rod	93	33.54	3,119.22
7	Diawa S/Cast Combo PMC	86	25.80	2,218.80
8	Diawa Spin Combo PMC	43	34.18	1,469.74
9	Diawa Mini Spin Combo	32	38.33	1,226.56
10	Zebco Jr. Spincast Rod/Reel	68	14.62	994.16

COLEMAN PRODUCTS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Champion Gal Camping Fuel	5,268	3.80	20,018.40
2	Cole 16.402 Propane Fuel	1,740	2.97	5,167.80
3	Cole 2 Burner Stove (4 25E 499)	157	31.47	4,940.79
4	Cole 21A Silk Mantle	8,000	0.53	4,240.00
5	Cole 1 Gal. Jug	391	9.43	3,687.13
6	Cole 2 Burner Stove (413G 499)	80	41.23	3,298.40
7	Cole Dble Mantle Lantern	104	30.19	3,139.76
8	Cole 2 Gal Jug	226	12.44	2,811.44
9	Coleman Lantern 275-710	50	34.03	1,701.50
10	Cole Clear Globe for 220	582	2.37	1,379.34
11	Cole Oscar Cooler 4 gal	88	13.74	1,209.12
12	Cole 44 qt Cooler	33	34.69	1,144.77
13	Cole Globe f/275-5114 Lantern	306	3.17	970.02
14	Cole Cooler 56 qt	21	40.58	852.18
15	Cole Propane Lantern	30	22.90	687.00
16	Cole Propane Heat 2-5 Btu	12	54.26	651.12
17	Cole Case f/220-275 Lantern	52	11.11	577.72
18	Cole Lantern Generator 220	276	1.94	535.44
19	Cole Lantern Accessory Kit	132	3.09	407.88
20	Cole Alum High Stan	31	12.83	397.73

MISCELLANEOUS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Hoppe Shotgun Cleaning Kit	708	5.23	3,702.84
2	Spalding M. Johnson Basketball	156	13.83	2,157.48
3	Kidde Fireaway Extinguisher	72	22.08	1,589.76
4	Ash Disposable Flashlite	1,344	1.14	1,532.16
5	Cross 177 Pellet Disposable	1,746	0.86	1,501.56
6	Fire Control Fire Extinguisher	150	9.03	1,354.50
7	Kidde Fireway Extinguisher (1A1OBC)	109	12.33	1,343.97
8	Ash Flashlight Comb. w/2 D 2C Battery	504	2.62	1,320.48
9	Kidde Fireaway Extinguisher (101 BC)	152	8.64	1,313.28

Promotions should come to you as traffic builders, not surprises! Ashflash offers the only 12-month promotions calendar in the business.

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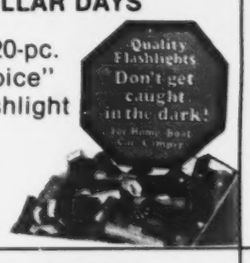
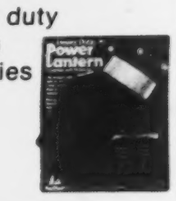
DOLLAR DAYS
#6611—120-pc. "Your Choice" Asst. Flashlight Dump.
99¢ retail



AUG
BACK TO SCHOOL
#3131—Compact All-Purpose Flashlight w/2 "C" batteries
$1.19 retail

SEPT
LABOR DAY SPECIAL
#3112—Heavy duty Power Lantern w/2 "D" batteries
$1.99 retail



OCT
HALLOWEEN SPECIAL
#6657—120-pc/60-pc each of #257 and #357 flashlights dump
99¢ retail

NOV
AUTO SAFETY
#7115—Compact Searchlight Lantern with super size flasher.
4 "D" batteries
$6.99 retail

DEC
HOLIDAY GIFTS
#1076—One Fluorescent Lantern at regular price gets you two free disposable flashlights
$13.99 retail

JAN
NEW—FOR THE NEW YEAR

#3547—New Disposable Flashlight Blister-Packed great as a Traffic Builder.
99¢ retail

FEB
PRESIDENTS' DAY SALES
#7886—"Power House" Lantern and Battery, in award-winning packaging.
$3.99 retail

MARCH
SPRING CLEANING DAYS
#3073—Brighten up dusty rooms w/Cordless Light Fixture.
$1.99 retail

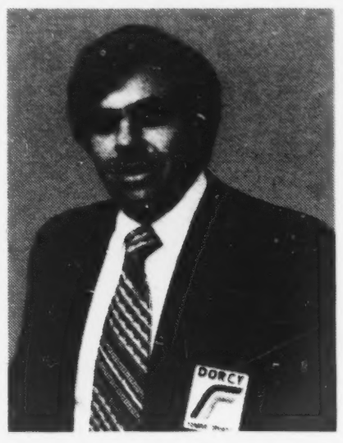
APRIL
THE FISH ARE BITING

#3348—This Waterproof Flashlight will float for Fisherman. Touch Pak.
$2.09 retail

MAY
CAMPING SEASON
#16—Portable Lamp is #1 in camper's eyes.
$3.99 retail

JUNE
FATHER'S DAY SPECIAL
#1028—Fluorescent Lantern is a big hit with Dad.
$9.99 retail

BOB TENAGLIA, director of marketing, has had more than 10 years experience in designing promotions for chains. He is the man to contact for your Dorcy Ashflash Promotions Calendar.



ROGER STAUBACH, former football great with the Dallas Cowboys and Dorcy spokesman.

THE RIGHT PRODUCTS
If promotions come to you as a surprise, look into Ashflash Lighting promotions. Our 12-month promotions calendar offers you everything from key-chain lights to camping lanterns. Ashflash Lighting promotions include the right products to build traffic and sales—at the right price and the right time.

THE RIGHT PRICE POINTS
Ashflash Lighting promotions include disposable lights for under a dollar, functional flashlights for the car in the two-dollar-and-up range and lamps and lanterns for the right gift item—products that give you the right price points at the right time.

THE RIGHT TIME OF YEAR
Our 12-month promotions calendar lets you plan promotions for Dad-days, Grad-days, Dollar-days or Holidays. That means the right product, at the right price, for stocking stuffers at Christmas or camping in the summer.

Our 12-month promotions calendar replaces the surprise packages that other suppliers use to reduce their inventories, with the right products, at the right price and at the right time to build traffic and sales.

Contact your Dorcy Ashflash representative, the regional office nearest you or write Bob Tenaglia, Dorcy Ashflash, Inc., 3985 Groves Road, Columbus, Ohio 44327.

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THE NEWSPAPER OF THE DISCOUNT DEPARTMENT STORE INDUSTRY

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Chains Up Promos, Cut Costs in Depressed States

Nationwide DSN Report

From Pennsylvania to Wisconsin, Industrial Belt discounters are continuing to sacrifice margins and accelerate promotional activity as the economy, soaring unemployment and tight consumer spending go on wreaking havoc with their sales.

To try to hold their own, chain execs have taken a magnifying glass to operating costs, particularly payroll, inventory and store maintenance expenses.

"When adversity strikes, you become a better manager," said Robert Schroeder, president of Prange-Way in Wisconsin. When sales began to flag in May, the chain instituted a cost-cutting study that resulted in policies primarily aimed at shaving store personnel expenses.

A freeze on hiring was imposed, as well as a reduction of store employee hours. Where feasible, store hours were reduced a half hour in the morning and another half hour in the evening.

As part of the cost-cutting study, all gratuitous customer services were examined. As a result of that study, one measure the chain took was to charge customers $5 for checks sent back for insufficient funds.

Prange-Way's inventory quantities were honed, noted Schroeder, to quicken turnover and strengthen basic stocks. The chain's turnover received an extra push from an aggressive promotional program. Advertising dollars were increased 7%-8% in May, 10% in June, and another 10% in both August and September in preparation for a competitive back-to-school period.

But, margins were hurt, falling as much as one percentage point during this period, said Schroeder. "This fall we plan to gain those margins back. Although we had the same advertising increases in September, we didn't put the dollars into so many low-margin items."

As a result of the chain's cost-cutting policies, it was able to exceed its initial goal of a 10.9% reduction in operating costs, said Schroeder. "We got ourselves into shape, but the sales activity never came back. We're hopeful that sales will be good for the remainder of the year."

Rink's, based in Ohio, was another Industrial Belt chain that began an elaborate cost-cutting examination at the onset of the sales downturn. The chain has held to its position of maintaining gross margins and stabilizing its promotional activity. It hasn't been easy. "We've been getting pressure from all sides," said Fred Barney, president of Gray Drug, Rink's parent company. "There's a lot more advertising going on with all competitors. It's been very difficult to maintain gross margins

To bolster slipping margins, Rink's temporarily eliminated its employee training program. "It was a nice thing to have, but we can live without it," said Barney. "As soon as things get better, we'll start it up again." Barney added that Christmas advertising would be at levels comparable to that of last year's season, and that the chain would be "very aggressive and as competitive as ever."

The chain has also realigned its store supervision, shuffling more stores under fewer supervisors and cutting out overlap. To create better in-stock position on basic items and to lower inventory costs, the chain has

(Continued on page 56)

NMRI Weighs Marking Codes

CHICAGO—The nine-member National Mass Retailing Institute Marking Standards Committee was set to meet Oct. 15 and 16 at the Marriott Hotel here to decide on a recommendation for its board of directors on which tack the discount industry should take to modernize its marking code system.

The choices are to give a vote of confidence to one of four systems, to decide that no system should be endorsed, or (and NMRI chairman Richard Hersh said this is most likely) to recommend further study of the issue.

The UPC (Universal Product Code), OCR-A and/or -B (Optical Character Recognition), a system that combines both of these codes, or the continental version of the UPC, the European Article Number code, are the four code choices.

While NMRI president David Godfrey said one of his objectives in office would be to develop a consensus on the issue, members of the committee said their objective was to create a forum of ideas, and in

(Continued on page 60)

K mart's Test Look Has Eyes For Wider Patron Base

By Iris Rosenberg

INDIANAPOLIS—K mart's search for a new identity is taking shape here.

After nearly eight weeks of furious renovation activity, nine of the giant discounter's stores are ready to face the public with a test look chain execs hope is a

More photos, p. 6.

big step closer to the K mart store of the 80's: a one-stop shopping environment capable of drawing both a fashion-conscious consumer and a more sophisticated do-it-yourselfer, without discouraging the price-conscious shopper the chain has always counted on.

With new-market expansion limited, the Troy, Mich.-headquartered chain wants to broaden its customer base for continued growth in the coming decade. Indianapolis, where the chain has had stores for more than 10 years, provided a stable base (close to headquarters), perfect for the test.

To do this, headquarters unleashed a storm of workmen into every department in the stores. While, at presstime, Troy execs were still walking the stores and dickering about the details of the presentation, many merchandise and adjacency changes were already locked in.

What's new here is the hard lines presentation.

Department adjacencies have been changed to consolidate stocks and to facilitate tie-in selling; gondola heights have been raised—this varies from store to store, but many hard lines fixtures have been raised to 66 in. (72 along perimeter walls); and the mix has been broadened and deepened in key areas like home improvement, the country's fastest growing retail segment.

Also being tested here in at least two stores is a T-midway aisle configuration which fur-

(Continued on page 56)

K mart was half-way through remodeling its Indianapolis stores at presstime. New features in H&BA: higher gondolas; modular promo tables; aisles that run parallel to adjacent checkout area. *(DSN photo)*

Repeaters Spark SPARC Affair

Receiving his company's second consecutive SPARC award is Arthur Maier, chairman of K&M Jewelry (left). Luke Kirby, vice president and general merchandise manager at Caldor, presents the award. Other SPARC award photos start on p. 31. *(DSN photo)*

Nail Care Hot; Slow Movers Trimmed

Special DSN H&BA Report

Cosmetics departments are beginning to sport expanded nail care sections with a new look: spruced-up presentations and more space that offers a better view of narrower, deeper selections in the category.

At the same time, buyers are refining assortments and upgrading presentations in an effort to answer the biggest problem in nail care: how to handle slow-turning, often unsalable items that are part and parcel of many manufacturers' prescribed programs.

Today, slow sellers are standing out more than ever because nail care implements and cosmetics now constitute a boom category. Most discounters report that significant sales increases in the last year have gained even more momentum in recent months.

A gradual move away from prescribed programs and pegged items will be the upshot of the new approach, say buyers who are culling unsuccessful items and some low-end lines. (This commitment to more cherrypicked stock could eventually mean less manufacturer-oriented merchandising, but for now manufacturers' displays like the Revlon nail care fixture, which has a prescribed program—and which was installed last month at Cook United—provide a ready-made fashion image.)

"I'd like to turn the category more, but if I get three turns I'll be very happy," Gold Circle buyer Carol Fayne said, adding that turns are down slightly at the Ohio-based chain because of the recession. She projects a 10% sales growth for nail care next year, when current upgradings will be in full swing.

A 15%-17% increase is projected at Gibson, where buyer Jon Thomas said turns range from four to six. While the

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The Touche Ross Management Development lesson appears on p. 27.

Chapter XI Petition a Surprise

Sam Solomon's Fiscal Woes Laid to Banks' Harsher Loan Terms

CHARLESTON, S.C.—Why did Sam Solomon, in a move that surprised other showroom operators and suppliers, file a Chapter XI petition?

The move, made in Federal Bankruptcy Court in Columbia, S.C., startled the industry on two counts: first, the cataloger wasn't insolvent and, second, it reported more than $12 million in net worth in fiscal 1980.

The losses on sales gains for the quarter and half-year, both of which ended before the bankruptcy filing late last month, aren't seen as enough of a reason for the Chapter XI move.

The half-year loss went up 60% to $1,458,000 on an 11.5% sales gain to $33,000,000. In the quarter, loss jumped by more than 900% to $634,000 on a 10.3% sales increase to $17,200,000.

Company executives, asserting that all debts will be paid in full, and other sources point to the cataloger's three lender banks as cause for the filing.

Melvin Solomon, chairman and president, said the banks refused to continue loans usually extended to the cataloger except under "newly imposed harsh terms."

Bruce Reese, who joined the cataloger as executive vice president and chief operating officer after the Chapter XI filing last month, said the move "was solely to protect the trade creditors," because the effect of new loan terms would "put Sam Solomon's ability to pay the trade in jeopardy."

Reese said factors causing the banks' decision to impose harsher terms were a "one shot" occurrence.

Reese was formerly senior vice president, merchandising, for Best Products and joined Solomon when another executive, Wayne Carr, left.

Carr, an inventory expert, was hired at the banks' insistence about eight months ago. Sam Solomon executives wouldn't comment on the significance of Carr's leaving coinciding with the bankruptcy filing.

The discounter's legal team includes attorneys that are familiar with the role that financial institutions played in the bankruptcy of W. T. Grant. Sam Solomon's filing occurred after the discounter discussed its situation with these attorneys.

The cataloger's debt to the three banks—the North Carolina National Bank, South Carolina National Bank and Southeast First of Miami—is about $7.2 million, with NCNB the largest creditor with more than $3 million due on an open line of credit.

Bank executives declined

(Continued on page 50)

FTC Is Expected to Ease Guide Covering Warranty Advertising

WASHINGTON—Within the next six months, the Federal Trade Commission is expected to loosen its guidelines regarding warranty advertising. When the FTC completes its present study, the proposed changes should, for the first time in 20 years, make it simpler for retailers and manufacturers to advertise warranty products.

The public comment period on recommendations for changes was scheduled to end in early October, but a staff member of the FTC said an extension was likely.

At issue is how much disclosure is necessary for a warranty advertisement to avoid deception. The present guides require that advertising mentioning a warranty must disclose all the terms, conditions and limitations of the warranty.

But, as the commission official noted, these requirements have added substantial costs and have served as deterrents to advertising warranties. At the time the requirements were issued—in 1960—warranty advertisements generally were the only way warranty information was available to consumers before an item was purchased.

The Magnuson-Moss Warranty Act, however, which became effective in 1975, required that the terms of written warranties be available prior to sale. Among other provisions, Magnuson-Moss required that warranty information be available at point-of-sale.

The alternative presently being considered by the commission for warranty advertising include the following:

- Warranty advertising would be treated like most other forms of advertising, and the commission would rely on existing advertising laws to determine which warranty advertising is deceptive.
- Prohibited on a rule or case-by-case basis would be specific language in warranty advertising which is found to be deceptive. For example, if the phrase "X-year limited warranty" was determined to be deceptive, use of that phrase would be prohibited.
- Required by rule or on a case-by-case basis would be disclosures to remedy deceptive warranty advertising so that customers would not be misled by partial information. For example, if a warranty advertise-

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Payroll Costs As A Percentage Of Sales

	No. Firms Reporting 1978-79	Avg. Net Income As A Per Cent Of Sales	No. Firms Reporting 1979-80	Avg. Net Income As A Per Cent Of Sales
Payroll Less Than 11% of Sales	11	2.50	6	1.55
Payroll 11% to 13% of Sales	12	1.82	16	2.29
Payroll More Than 13% of Sales	7	1.03	8	1.45

Source: NMRI/Cornell 1979-80 operating results study.

Rising payroll costs have reduced the number of chains able to hold payroll costs under 11% of sales. The 1979-80 NMRI/Cornell study of operating results for 30 identical firms shows that only six of 11 firms that reported payrolls under 11% the previous year were able to maintain that ratio.

Payroll Costs Are Spiraling as Per Cent of Sales

Nationwide DSN Report

Spiraling wages have put severe upward pressure on payroll costs as a percentage of sales in discount department store chains.

According to the 1979-80 National Mass Retailing Institute study of the industry's operating results—its annual Cornell University survey—the number of chains that keep payroll under 11% of sales has dropped sharply.

The NMRI study of 38 discount chains includes 30 chains that have participated for at least two consecutive years. Of those 30 identical firms, only six reported payrolls under 11%, with an average of 10.19%. The preceding year, 11 of the same group of companies had reported payroll percentages under 11%.

More than half of the 30 identical firms—16—reported payrolls between 11% and 13% of sales, averaging 12.11%. The year before, only 12 had been in that range.

Eight firms from the group of 30 reported payrolls in excess of 13%—averaging 14.31%—an increase from the 1978-79 NMRI study, which had shown 7 chains with payrolls in excess of 13%.

Net income as a percentage of sales fell sharply, from 2.5% to 1.6%, among those six chains that maintained payroll ratios under 11%. A causal relationship between the two facts is unlikely, however, and that income decline is the probable result of other pressures on earning power.

The net income percentage for chains with higher payroll ratios rose. Among the 16 chains with payrolls between 11% and 13%, the net income rose to 2.29% of sales from 1.82% the year before.

A lower net percentage accompanies the highest payroll ratios, with those chains with payrolls in excess of 13% netting 1.45% of sales, up from only 1.03% during the previous year.

A direct relationship between total expenses and net income is expected in retailing, and substantiated in the NMRI study.

Of the 30 identical firms reporting, seven had total expenses less than 22% of sales, averaging 19.38%; their average net income was 2.9% of sales.

Of the 30 chains, 16 had total expenses between 22% and 27% of sales—averaging 25.1%. *Their* average net income was 2.01% of sales.

Finally, seven firms reported expenses over 27% of sales—with an average of 29.46%—and *their* net income was 1.26% of sales.

Gross margins declined slightly for those chains participating in the NMRI study that had margins under 30%, but rose slightly for the seven chains that reported gross margins above 30%; they averaged 31.4%.

Seven other firms reported gross margins under 25%—they averaged 22.09—and the

(Continued on page 50)

Spotlight on: Bicycles

Aerial Display Lends Bike-Store Flavor

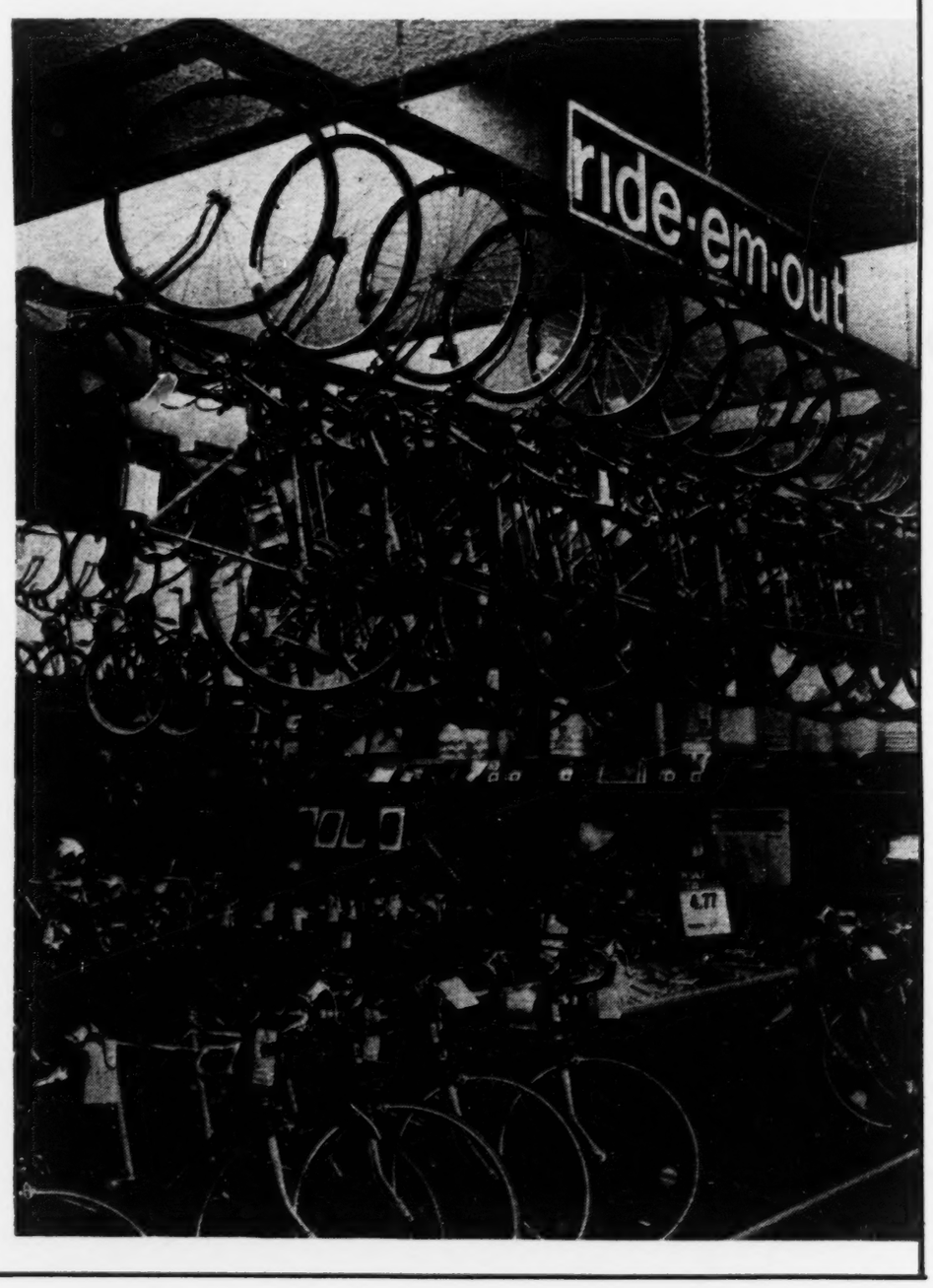
Increased productivity frequently means more merchandise in the same—or less—floor space. One way to get more into less is to use the air space above normal floor displays.

The Treasury, Granada Hills, Calif., packs its air space with bicycles hung from a steel frame suspended above the typical bike display.

The aerial display also provides an unmistakable signature for the department, and helps create a massive "we're-in-the-business" look for the department. The slightly raised platform adds to the look.

These preassembled bikes are hung by the front rim on large hooks, easily lifted down for close examination or sale, if necessary.

The sale table in the middle of the display adds to a sense of completeness, and brings tie-in sales of accessories with each bike sale. *(DSN photo)*



In This Issue...

TUNING IN. Strong housewares sales records over the last eight months stem from discounters' successful offering of a diverse selection of both everyday basics and trade-up items. (P. 28.)

POS TODAY. DSN and Touche Ross begin a series of three articles on the status of point-of-sale terminal systems in the discount industry. (P. 27.)

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